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March 31, 2015

TO: Common Council President Michael Murphy and the Common Council of the City of Milwaukee

FROM: Aaron Szopinski, Housing Policy Director, Office of the Mayor

RE: Strong Neighborhoods Plan – 4Q 2014 Summary Report

President Murphy and Common Council Members:

Attached, you will find a quarterly progress update on implementation of the Mayor's Strong Neighborhoods Plan as of December 31, 2014. Mayor Barrett and the Administration are grateful for your support and input last year and look forward to continuing our work on foreclosure and City-owned property together.

We are available at your convenience for briefings on the Plan's progress to date, and appreciate your continued input on the Plan and support for our efforts. Please don't hesitate to contact our office regarding the Strong Neighborhoods Plan and its implementation.

Regards,

Aaron Szopinski



Prevention • Mitigation • Revitalization • Renewal



The Strong Neighborhoods Plan is the Mayor's comprehensive approach to the issue of City-owned and vacant property, focused on four strategic goals:

- Prevent** tax foreclosure and reduce the City's property inventory and costs
- Mitigate** blight caused by vacant property, City-owned and otherwise
- Revitalize** City-owned property and neighborhoods affected by foreclosure
- Renew** vacant spaces and neighborhoods

BAROMETER

While foreclosure continues to impact the City, the Administration has seen considerable success and progress on Plan goals. **The City sold 437 properties, with an estimated assessed value of \$19 million returning to the tax base this year.** Properties sold by the City since 2010 will **contribute an estimated \$57 million to the tax base in 2015.**

December 31 - Final	2012	2013	2014
Bank Foreclosure Filings	4,396	2,804	2,283
Current Levy % Delinquent	6.3%	6.8%	6.1%
Pending Tax Foreclosure (Year)	1,152	1,101	1,046
YTD Filed/Acquired (%)	1,152/746 (65%)	1,101/749 (68%)	1,097/750 (68%)
City Property Sales	231	291	437
City Inventory	1,102	1,318	1,116

EXPENDITURES

Through December of 2014, Strong Neighborhoods Plan programs have spent \$8 million of \$11.7 million in budgeted funds. There were operating savings in DPW demolitions, and spending on rehab efforts is typically accounted for after contracted work is bid and completed. Capital funds for rehab appropriated in 2014 will be fully spent in 2015 as projects are completed and invoices paid.

The table below shows budget and expenditure/obligation by Plan goal.

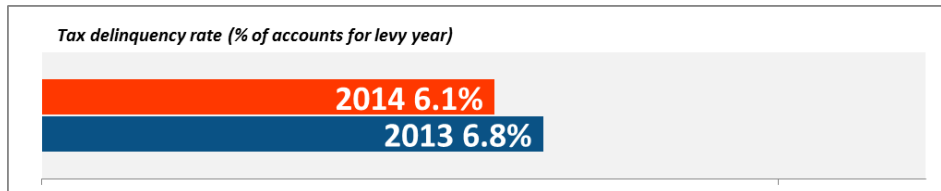
	Adopted Budget	Final 2014 Spent & Enc.	% of Total
Prevention	\$425,464	\$327,378	77%
Mitigation	8,462,749	6,266,090	74%
Revitalization	2,567,242	1,185,973	46%
Renewal	278,933	251,966	90%
TOTAL	\$11,734,388	\$8,034,407	68%

GOAL: Prevention

The **Treasurer's Office** reports that for 2014 levy collections, delinquency is down by 9%, to 6.1% overall, or 1,000 fewer accounts in the tax foreclosure pipeline than last year. Bank foreclosure filings continue to decrease, which bodes well for future tax delinquency and tax foreclosure. The City's

foreclosure filings are flat from 2013, with 1,046 accounts eligible for 2014 tax foreclosure as of February 28, 2014. **As of February 6, 2015, there are 1,253 accounts eligible for tax foreclosure.**

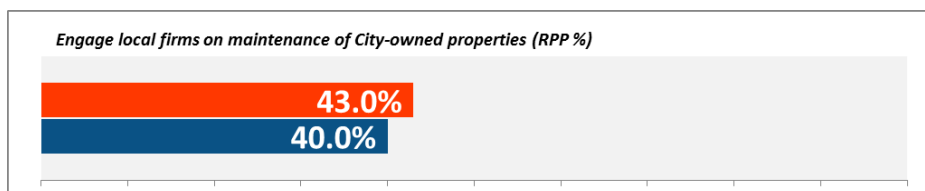
The City's acquisition rate (acquired properties / filed foreclosures) continues to be high, reflecting the impact of vacant and bank foreclosed property. For 2014 City tax foreclosures, of 1,097 filed, 750 were acquired, a rate of 69%. This includes vacant lots.



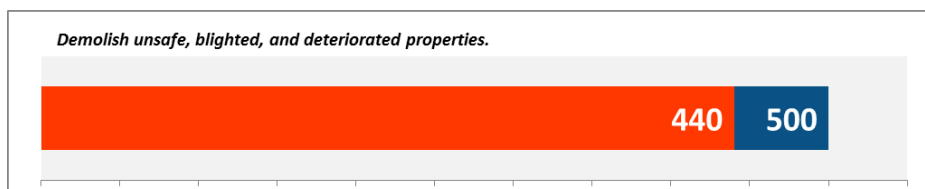
The **Department of Neighborhood Services (DNS)** implemented the Code Compliance Loan pilot after passage of CF 130940 in April 2014. Since then, 33 owners have been referred for loan eligibility, and 5 individuals have closed code loans, utilizing all of the pilot program's funds with an average loan of \$13,000. The Department anticipates reaching many more homeowners via the 2015 budget allocation of \$500,000.

GOAL: Mitigation

The **Department of Public Works (DPW)** has awarded 10 maintenance contracts for their first full year of land management (grass, snow, and dumping) for the City's full real estate inventory. RPP attainment for these contracts is 43% on a goal of 40% to date. The **Department of City Development (DCD)** reports high city resident employment (82%) for their board-up, plumbing, and clean-out contracts through Q4 of 2014.



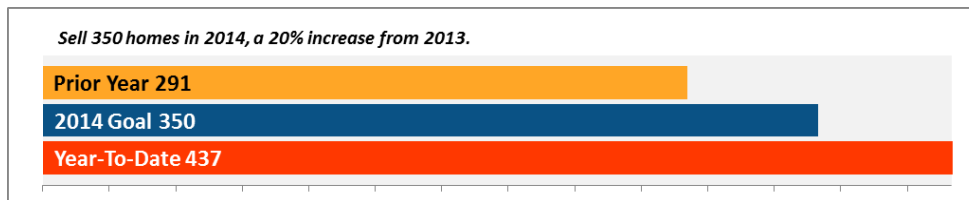
Demolition of 440 buildings in the city was completed in 2014 by DNS contractors and the DPW Operations crew. DPW completed their 100th demolition on February 4, 2015. Average cost on these demolitions was competitive with contractors for similar projects, though slightly higher when DNS pre-demolition costs are considered. The DPW crew still proved a valuable tool in quickly and effectively removing blighted properties.



Salvage activity, in which a contractor pays the City for the value of material to be removed from homes pre-demolitions, has begun under a contract with WasteCap. DNS will award a hybrid deconstruction contract for 13 properties in early April of 2015.

GOAL: Revitalization

The DCD Real Estate staff **sold 437 properties in 2014, an increase of 50% from the 2013 total of 291. The estimated 2015 taxable value of those properties is \$19 million**, which not only reduces the tax burden on other Milwaukee homeowners, but avoids over \$500,000 in maintenance costs for 2015.

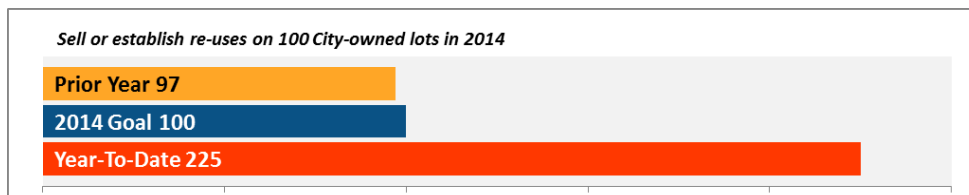


In addition to normal sales activity by DCD Real Estate staff, there are four initiatives driving sales of City property:

- 1) **Brokerage:** The City engaged 5 “REO” brokers specializing in foreclosed property sales to market City property, with 110 sales resulting. The brokerage initiative will be expanded at request of the department under CCFN 140569, to 10 realtors and an unlimited number of properties.
- 2) **ACTS Housing:** The ACTS partnership is designed to increase their capacity to take on City-owned homes, with an average City contribution of just \$4,000. ACTS achieved 33 sales on a goal of 34 in 2014.
- 3) **Rent to Own:** 51 “inherited” City tenants have begun the process of purchasing the home they rent. To date, 16 tenants have begun construction or closed the sale on their home.
- 4) **Rental Rehab:** For investor owners purchasing City-owned property, rental rehab funds are available. To date, 17 investors have applied, with 9 entering the rehab process as of December 31, and 7 loans closed.

GOAL: Renewal

Activities supporting the Renewal goal are aimed at adding value to neighborhoods beyond housing and blight elimination. This includes re-use of vacant space and efforts to connect the City’s work on City-owned property to training and employment opportunities for City residents.





The DCD Real Estate section also sold 99 lots through December 31, 2014. A total of 126 lots have been improved for re-use in the same period. Lot improvements have been done via HOME Gr/OWN, garden leases, and by DPW through resident and Aldermanic requests. The \$1 lot sale program introduced by Ald. Stamper drove 57 sales in the 15th District, and the 6th District had the next highest total, 22 sales. **Twenty-one vacant City lots were sold City-wide for infill home construction.**

As adopted by Council in the 2015 City budget, the Administration's Compete MKE transitional jobs initiative includes City property maintenance and management. Up to 13 transitional employees will work with DCD and DNS to increase the frequency of inspections on City-owned property. We anticipate these individuals will be placed in April of 2015, and will update the Council on their work in future reports.